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HHS FOR CHIEF OF STAFF LINDA HOFFMAN  
AF FOR DAS CAROL THOMPSON

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SUBJECT: SCENESETTER FOR SECRETARY LEAVITT'S VISIT TO  
MOZAMBIQUE

#### Summary and Introduction

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11. (SBU) The Embassy warmly welcomes Secretary Leavitt and his accompanying delegation to Mozambique, widely considered to be an exemplary post-conflict democratic success story in Africa. Following the June visit of First Lady Laura Bush and the July MCC compact signing in Washington with President Armando Guebuza, Secretary Leavitt's presence in Mozambique will further accentuate the upswing in bilateral relations. He will be the highest ranking USG official to Mozambique since the 2002 visit by former HHS Secretary Thompson. This trip will raise awareness of USG investments in health and our role as the largest bilateral donor to Mozambique, the only country in the world benefiting from President Bush's three major initiatives--the Millennium Challenge Corporation (MCC), the President's Emergency Plan for AIDS Relief (PEPFAR), and the President's Malaria Initiative (PMI). The visit will also provide the opportunity to further USG interest in encouraging Mozambique to participate in regional peacekeeping operations and to address regional challenges, including Zimbabwe.

#### A Post-Conflict Success Story

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12. (U) Since the signing of the 1992 Rome Peace Accord, which ended sixteen years of civil war, Mozambique has made significant progress as a young democracy and is rightfully considered a post-conflict success story. The Frelimo party led the independence struggle and has maintained political power since Portuguese colonial rule ended in 1975. Frelimo's military opponent during the subsequent civil war, Renamo, has been the main opposition party since the first elections in 1994. In December 2004 Mozambique held its third presidential and legislative elections. Armando Guebuza won the presidency by a wide margin, defeating Renamo leader Afonso Dhlakama (who also ran unsuccessfully in 1994 and 1999).

#### A Democratic Example, But Still Fragile

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13. (SBU) Voter turnout in the December 2004 presidential and legislative elections was approximately 45 percent, down substantially from the 75 percent turnout in 1999. Although slightly fewer Frelimo voters cast their ballots than did so in 1999, about half of the Renamo supporters did not vote. Some analysts suggest Renamo supporters may have felt cheated in the very close 1999 election and cynically saw little point in participating. International observer groups monitored the elections and indicated that the elections were carried out in a generally successful and peaceful manner but

noted there were irregularities in the administration of the elections. All agreed, nonetheless, that final results broadly reflected the will of voters.

14. (SBU) In the December 2004 legislative election, Frelimo won 160 out of 250 seats in the National Assembly - just seven short of a two-thirds majority. Renamo won 84 seats and an allied coalition of small parties took the remaining six. Since 2005 several of these small parties have distanced themselves from Renamo. Renamo's unexpectedly poor showing has led to disarray within the party and Dhlakama's leadership has been called into question. This has weakened any organized opposition to Frelimo, now in power for more than thirty years.

#### Responsible Economic Stewardship

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15. (U) Since the mid 1980s, the government has broadly followed IMF and World Bank guidelines on economic issues. Mozambique's macroeconomic reforms and success in attracting large investment projects have resulted in an average annual GDP growth rate of eight percent from 1994-2006, the highest in Africa over this time period. This growth is from a very low base however, as per capita GDP for 2006 registered around USD 320. Foreign direct investment, exports, and revenue collection all have increased significantly. Since the late 1990s most of the state companies have been privatized, with only about one dozen remaining in government hands.

#### Darling of the Aid Community; USG Largest Donor

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MAPUTO 00000969 002 OF 002

16. (U) In large part because of successful implementation of projects and compliance with international donor requirements, the government receives almost 60% of its budget directly from foreign aid. The USG is the largest single donor to the GRM. In particular, our USD 160 million in PEPFAR funds in 2007 total more than the HIV/AIDS funds committed by all other donors and the Mozambican government combined. Although the USG does not provide direct budget support, we have forgiven all of Mozambique's USD 151 million debt as part of Mozambique's Highly Indebted Poor Countries relief initiative.

#### PEPFAR, MCC, PMI: Unique in the World

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17. (SBU) Mozambique is the only country in the world to receive combined PEPFAR, MCC and PMI support from the USG. PEPFAR will provide approximately USD 160 million in 2007 for Mozambique, up from USD 82 million in 2006. All agencies at post, including State, USAID, CDC, the Peace Corps, and Defense, participate in the Interagency PEPFAR team.

18. (U) On July 13, Millennium Challenge Corporation CEO John Danilovich and Mozambican President Guebuza signed a five-year, \$507 million Compact that will reduce poverty through increased incomes and employment by improving water systems, sanitation, roads, land tenure, and agriculture, with a focus on the country's four northern provinces. The MCC program in Mozambique is entering a 9-month planning phase prior to implementation, and some Mozambicans have expressed frustration with the lengthy MCC negotiation and implementation processes.

#### Peacekeeping Operations

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19. (SBU) Mozambique's armed forces (FADM) have benefited from substantial USG military training and assistance, especially through the African Contingency Operations and Training Assistance (ACOTA) program. The FADM successfully

participated in the African Union's 2005 peacekeeping operations in Burundi, and has publicly recognized its interest in a higher-profile contribution to peacekeeping operations in Sudan. The Embassy is working to assist FADM in further developing its peacekeeping capacity, and we look forward to supporting the GRM's eventual contribution to regional operations.

Zimbabwe  
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¶10. (SBU) The GRM has been hesitant to criticize other African governments over human rights violations and has historically abstained from voting on any such resolutions. GRM officials have stated publicly that Mozambique, instead of criticizing actions, prefers to focus on what can be done to address such issues within the regional institutions (e.g., the AU and SADC). Mozambique has also been hesitant to engage on Zimbabwe, due to the close historical ties between the countries.

Conclusion: Bilateral Relations on the Upswing  
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¶11. (U) This is the first cabinet-level visit to Mozambique in more than five years, and comes soon after First Lady Laura Bush's visit in June and the MCC signing in July. In September, a U.S. Navy ship will make the first port call to Mozambique since the country's independence in 1975. Together these events highlight our ever stronger bilateral relationship and emphasize the United States' leading role in Mozambique's development in democracy, health, and prosperity.  
Chapman